



General Government Division

B-270550

March 21, 1996

The Honorable John L. Mica
Chairman, Subcommittee on the
Civil Service
Committee on Government Reform
and Oversight
House of Representatives

Dear Mr. Chairman:

This letter is in response to your request that we provide you with information on recent reduction-in-force (RIF) actions in the U.S. Geological Survey (USGS) and the Office of Personnel Management (OPM). Specifically, you asked us to describe (1) the procedures followed by USGS in establishing single-position competitive levels for scientists within its Geologic Division, the organization affected by the RIF, and (2) the relationship, if any, between an OPM headquarters reorganization and a subsequent RIF affecting employees in parts of the newly structured organization.

RESULTS

At USGS, officials informed us that the competitive levels determination procedure used by USGS in preparing for its October 1995 RIF within the Geologic Division involved four steps: (1) the development and adoption in March 1995 of a revised competitive levels determination process, (2) the review and updating of position descriptions, (3) the assignment of positions to competitive levels by USGS personnel specialists with help from USGS subject-matter experts (SME), and (4) the subsequent independent review of the personnel specialist-SME competitive level determinations by USGS validation teams.

Using this four-step process resulted in 97.2 percent of the Geologic Division's scientific positions being assigned to unique (single-position) competitive levels. USGS officials said that this outcome occurred within the division because the prescribed duties of most of its research scientists' positions were found to be sufficiently distinguishable from one another to warrant unique competitive levels.

Applicable OPM regulations do not prohibit the establishment of single-position competitive levels. Additionally, the Merit Systems Protection Board (MSPB) has sanctioned agencies' establishment of single-position competitive levels where the prescribed duties of the positions warranted that action.

USGS officials said that they complied with all applicable OPM requirements, including the requirements applicable to competitive level determinations, in preparing for the October 1995 Geologic Division RIF. As agreed with the Subcommittee, we did not independently review USGS' competitive level determinations for individual positions.

Regarding the reorganization and RIF at OPM, agency officials said that OPM reorganized its Administration Group in February 1995 to provide greater focus and increased accountability for the group's programs. The officials explained that the reorganization moved two parts of the Administration Group into other existing headquarters offices and created three new, separate headquarters offices out of the functions remaining in the group.

OPM officials also said that during a December 1994 meeting between the President, OPM's director, and others to discuss National Performance Review objectives, the President made the decision to privatize OPM's reimbursable training and investigations functions. The officials explained that the expected loss of revenues resulting from this privatization decision, coupled with an anticipated reduction in appropriated funds for fiscal year 1996, led to OPM's determination that a RIF would be necessary to meet the funding shortfall. The RIF subsequently occurred in September 1995 in certain OPM offices that relied on funding from revenues generated by OPM's training and investigations operations (as well as from other sources). The affected OPM offices included parts of the former Administration Group that handled internal administrative operations as well as certain offices that handled OPM's executive operations.

While we noted some overlap in the timing of these two sets of events, OPM officials said that the February 1995 reorganization of the Administration Group and the September 1995 RIF were based on entirely different agency considerations and were unrelated to one another.

APPROACH

To obtain information on the procedures that USGS used in establishing competitive levels for the Geologic Division's

scientists, we interviewed USGS officials involved in the planning and execution of the October 1995 USGS RIF. To explore the relationship, if any, between a recent OPM headquarters reorganization and a subsequent OPM RIF, we interviewed OPM officials who had been involved in the planning and execution of the reorganization and RIF activities. In addition, we obtained information from officials of USGS and OPM, respectively, on these agencies' internal, RIF-related procedures and practices as well as their pre-RIF and post-RIF workforce statistics. As agreed with your office, we did not independently verify the accuracy or completeness of the information that these officials provided, nor did we evaluate the decisionmaking processes that these officials said they followed in determining the need for a RIF.

To provide you with pertinent background information about the procedural requirements that executive agencies must follow in preparing for and conducting a RIF, we reviewed the applicable provisions of federal law in title 5 of the U.S. Code and OPM's governmentwide RIF regulations in title 5 of the Code of Federal Regulations. Additionally, since MSPB is the principal agency charged by law with adjudicating RIF-related appeals filed by affected federal employees, we obtained information on decisions of MSPB on various RIF issues.

In February 1996, we provided draft copies of this letter to USGS (through the Department of the Interior) and OPM for review and comment.¹ We received comments from the Department of the Interior's Assistant Secretary for Water and Science and from OPM's Director of Organizational Development and Redesign indicating general agreement with the information presented in the draft. These officials also suggested several minor changes that we incorporated into this letter as appropriate.

We did our work at USGS' (and the Geologic Division's) Eastern Regional Office in Reston, VA, and at OPM headquarters in Washington, D.C., from September 1995 to December 1995 in accordance with generally accepted government auditing standards.

RIF PROCESS REQUIREMENTS

OPM's governmentwide regulations in part 351 of title 5, Code of Federal Regulations, require that an agency undertaking a RIF

¹Agency officials were provided with redacted versions containing only those portions of the letter addressing the work that we did in their respective agencies.

meet certain specific procedural requirements. Among other things, these regulations require that the agency (1) define the "competitive areas"² in which employees will compete; (2) determine the "competitive levels"³ in which positions are aggregated according to their occupational characteristics, pay grade, and other key characteristics; and (3) establish a "retention register"⁴ of employees serving in positions within each competitive level.

THE USGS RIF

According to documentary materials and statistical information that we obtained from agency officials, USGS conducted a nationwide RIF, effective October 14, 1995, in its Geologic Division. This RIF, which agency-provided documentation stated was necessitated by budgetary considerations, resulted in the involuntary separation from service of a total of 176 permanent

²OPM defines "competitive area" as that portion of an agency, determined by the agency, in which employees facing a RIF will compete for retention. An established competitive area can be all or part of an agency, but it must meet certain minimum size requirements. 5 C.F.R. section 351.402.

³OPM defines "competitive level" at 5 C.F.R. section 351.403(a) as a compilation of all positions in a competitive area that are in the same grade and classification series and that are similar enough in duties, qualification requirements, pay schedules, and working conditions so that an agency may reassign the incumbent of one position to any of the other positions in the level without undue interruption. OPM defines "undue interruption" for this purpose at 5 C.F.R. section 351.203 as a degree of interruption that would prevent the completion of required work by an employee 90 days after the employee had been placed in a different position.

⁴OPM defines a "retention register" as a list of employees, prepared by an employing agency for RIF purposes, placing each employee within a competitive level in a prescribed order on the basis of his/her tenure of employment, entitlement to veteran's preference, length of federal service, and record of performance. 5 C.F.R. sections 351.404 and 351.501.

Geologic Division employees.⁵ The documentation also showed that 124 permanent employees were reduced in grade and 115 were reassigned to other positions within the division through the RIF.⁶

The Geologic Division's Workforce

Information provided by agency officials documented that the Geologic Division had scientific research programs and staff in each of three regional offices: (1) the Eastern Region (Reston, VA), (2) the Central Region (Denver, CO), and (3) the Western Region (Menlo Park, CA). The overall director of the division is the Chief Geologist.

In a late September 1995 meeting with us, agency officials described the composition of the division's workforce. They said that there were then about 10,000 employees in USGS and about 2,300 employees in the Geologic Division. The division employed approximately 1,000 scientists, about half of whom held Ph.D. degrees and about 90 percent of whom were involved in research work. About 75 percent of these scientists were employed at GS grades 13 through 15. The officials also noted that the division had very diverse scientific activities, with some 800 separate projects ongoing within 10 separate scientific subject areas.

USGS' Views on Why a RIF was Needed

According to a senior Geologic Division official, USGS began seriously considering a RIF in the division in the fall of 1994, as it became increasingly clear that staff reductions would probably be necessary to respond to anticipated funding reductions for fiscal years 1995 and 1996. Documentation

⁵An agency official noted that this figure included only those permanent employees actually separated through the RIF. The official explained that when employee retirements, resignations, and separations other than those directly resulting from the RIF are included, a total of 355 permanent employees were separated.

⁶The Subcommittee expressed specific interest in obtaining information on the number of veterans affected by the RIF. According to data provided by USGS, there were 273 veterans employed in the Geologic Division's permanent workforce immediately prior to the RIF and, of these, 62 were directly affected. More specifically, 7 veterans were separated, 33 were reduced in grade, and 22 were reassigned.

provided by this official reflected that in advance of deciding to achieve needed staff reductions through a RIF, division management had implemented a series of cost-cutting measures. The documents showed that these measures included obtaining OPM authorization for "early retirement" for division employees, providing financial incentives ("buyouts") to encourage employees to leave voluntarily, and not filling most of the positions vacated by departing employees. The documents also showed that furloughs were considered but were not deemed feasible because they did not provide a long-term solution to the funding shortfall problem.

This senior official said that while the principal driving force behind the workforce reduction was budgetary, USGS management also decided to use the occasion to review the entire range of the division's programs and activities and to study the feasibility of reconfiguring and reorganizing them. Documentation obtained from USGS officials showed that a variety of scientific personnel from different program offices within the division participated in the deliberative processes. The official added that as the outcome of these processes, determinations on divisionwide program priorities and needs were made. The official said that this, in turn, led to decisions on which specific positions would be abolished in the various program areas.

According to documents provided by agency officials, a general RIF notice was issued to all division employees on March 9, 1995. The documents show that as of early August 1995, Geologic Division management officials estimated that as many as 345 permanent employees and 180 nonpermanent employees might need to be separated through the RIF. The documents also indicated that division officials were uncertain then about precisely how many employees would have to be separated through a RIF because they did not know then how many employees might leave of their own accord (e.g., through retirements or by finding other jobs) prior to the October 1995 effective date of the RIF.

Competitive Area Determinations

Agency officials said that prior to 1994, the competitive areas in USGS had been defined as "bureau-wide [i.e., USGS-wide] within the local commuting area." The officials explained that this definition created problems for agency management in that a staffing reduction (using RIF procedures) occurring in just one USGS division would have an impact on all of the other divisions. The officials said that to eliminate this problem, agency management decided in 1994 to redefine the competitive areas to be "division-wide within a local commuting area." Documentation

provided by these officials showed that this change became published agency policy in 1994.

How the Current Competitive Level
Determination Process Evolved

The Geologic Division's Human Resources Officer said that he was the principal architect of the current process through which competitive levels were established within the division and positions placed within them. This official said that the current process was implemented in March 1995, replacing an earlier process developed in 1986. He explained that the current process was devised when, in early 1995, he determined that the 1986 process was no longer suitable for use.

The Human Resources Officer related that from 1986 until 1995, USGS had a very mechanistic "specialty code" process in place to assign scientific positions to competitive levels. He explained that the 1986 process had involved grouping the division's GS-1350, Geologist, and GS-1313, Geophysicist, positions--which together constituted most of the division's research scientist positions--into two large groups by job series. The positions in each job series group were then sorted by primary scientific specialization. Next, the resulting primary specialization subgroups were sorted by secondary scientific specialization. Finally, the positions were sorted according to the primary area of work to which these specializations were applied. The official added that specialty codes, assigned to the positions as the sorting process proceeded, were ultimately used to identify the positions' respective competitive levels.

According to this official, the use of the 1986 process resulted in approximately 66 percent of the division's research scientist positions being assigned to single-position competitive levels. About 19 percent of the positions were assigned to competitive levels containing 2 positions, and the remaining 15 percent were assigned to competitive levels containing 3 positions. The official noted that the 1986 process actually had never been used in a RIF situation because a RIF had not been necessary prior to 1995.

The Human Resources Officer recalled that in early 1995, after it became evident to division management that a RIF would probably be necessary in the near future, he reviewed the 1986 process then in place. He said that after researching the applicable OPM regulations and MSPB case law on RIFs, he concluded, among other things, that the 1986 process was too mechanistic and too rigid in the way that it determined competitive levels. Additionally, agency officials noted that the process did not adequately take

into account the prescribed duties of the positions as documented in employees' position descriptions.

The Human Resources Officer said that upon reaching this conclusion, he developed and proposed a revised process for establishing competitive levels for the division's scientific positions. In an undated paper entitled, Earth Science Competitive Levels, in which he discussed his proposal, the official outlined the considerations that led him to the key conclusion upon which the new process would be based.

According to the paper, the principal impetus for the new process was grounded in the critical consideration that the work of each of the division's research scientists was highly specialized and, as a result, differed significantly from that of most or all other scientists. The official noted in his paper that this was evidenced by the contents of the individual scientists' position descriptions, almost all of which were unique in terms of the multiple specific projects and research work activities done by each of the different position incumbents. For this reason, the official concluded his paper with the recommendation that

"Unless established otherwise by detailed management review and knowledgeable certification; [sic] each research position in the Geologic Division [should] be placed in a separate competitive level for reduction-in-force considerations."

In other words, this official's view was that in the absence of a determination to the contrary, each research scientist's position belonged by itself in a unique, single-position competitive level.

Working from this perspective, the Human Resources Officer's proposed new process took a different tack from that of the 1986 process. As discussed earlier, the 1986 process began with the grouping of the Geologists and Geophysicists together in two occupational groups and then systematically sorted the positions out into successively smaller, more specialization-specific groups. By contrast, the proposed process would have dispensed with these review and sorting steps. Instead, it would generally have placed every scientific position directly into separate, single-position competitive levels as a matter of course. However, the Human Resources Officer's proposal underwent several modifications before it was actually implemented.

In recounting the development of the new process, the Human Resources Officer said that after he developed his proposal and prepared his paper, he shared it with other USGS personnel. The

official said that after reviewing the comments received, he decided to modify the proposal.

The official explained that under the modified process, competitive level determinations would still begin from the perspective that all scientific research positions were unique. However, the process would also require that the position description for each individual scientific position be reviewed by a team of personnel specialists and SMEs to determine the appropriate competitive level of the position. In other words, the process for determining competitive levels would begin with a preliminary assumption--but not an automatic conclusion--of position uniqueness, from which point the competitive level of each individual scientific position would be determined. The change was also consistent with the views of USGS Personnel officials, who deemed it critically important that each position be individually reviewed to ensure accuracy in assigning positions to competitive levels.

This modified strategy was set out in a March 29, 1995, memorandum to USGS' Acting Personnel Officer from the Acting Chief Geologist. In his memorandum, which, in effect, approved the use of the new process, the Acting Chief Geologist set forth the following:

"It is our position that competitive levels should be established by detailed management review and knowledgeable scientific certification of each research and development position within the division. Upon review it may be that many, or most, research positions will fall in separate and unique competitive levels. However, this should not be the assumed conclusion."

In discussing the developmental history of the new process, a USGS Personnel official advised us that she had informally discussed the proposed, new competitive levels determination process with an OPM RIF policy official in early 1995, prior to its implementation. She related that the OPM official did not express any concerns to her about its use. She also recalled that during these discussions, the OPM official told her that (1) other agencies had previously conducted RIFs with single-position competitive levels, and (2) there was nothing wrong with a unique competitive level code (i.e., a competitive level containing only one position) where that determination was supportable by position description documentation.

Results of the New Competitive Level Determination Process

At our request, USGS Personnel officials provided statistical data documenting the results of their competitive level determinations using the newly established process in preparation for the October 1995 RIF. Table 1 shows the number of Geologic Division competitive levels established for the division's scientific positions in each of the three USGS regions as well as the number of those levels containing a single position. These data indicated that, divisionwide, about 97 percent of the competitive levels established for these research scientist positions contained a single position.

Table 1: Geographical Distribution and Frequency of Single-Position Competitive Levels Established for the Geologic Division's Research Scientist Positions, October 1, 1995

Region	Number of competitive levels established	Number of single-position competitive levels	Percentage of single-position competitive levels
Eastern	274	268	97.81
Central	390	377	96.67
Western	511	497	97.26
Total	1,175	1,142	97.19

Source: USGS Personnel Office.

The data provided also showed that when the remaining (nonscientific) positions in the Geologic Division were added together with the scientific positions, a somewhat lower total percentage of single-position competitive levels resulted. From a total of 1,786 competitive levels that USGS Personnel officials established within the division as a whole, 1,660 (92.94 percent) were single-position competitive levels.

It seems logical that the explanation for this difference would lie in the fact that some nonscientific positions--particularly clerical and administrative support positions at the lower grade levels--are more likely to have duties and responsibilities similar to one another than are the higher-graded, scientific positions. Accordingly, these nonscientific positions would more likely be included together in common competitive levels than would the scientific positions. However, because we did not independently review individual competitive level determinations

as part of our work, we cannot say that this is what actually occurred at USGS.

Ensuring the Accuracy of
Position Descriptions

As discussed earlier, Geologic Division officials involved in the division's RIF planning activities told us that employees' position descriptions provided information of critical importance to the division's competitive level determination and validation processes. Accordingly, we asked USGS Personnel officials what efforts they had made to ensure that the division's position descriptions (1) were current and complete in documenting employees' assigned duties and responsibilities and (2) documented the correct classification of each position title, occupational series, and pay grade, before the competitive level determination process began.

A Personnel official said that the agency knew before the RIF process began that some of its position descriptions were not current. As a result, in a memorandum dated March 29, 1995, the Acting Chief Geologist directed managers to promptly review all position descriptions and to update or revise them as necessary. The Personnel official noted that of the division's approximately 2,400 position descriptions, about half (1,200) were ultimately submitted to the Personnel Office because they needed updating and/or revision. The official added that all of the necessary changes were accomplished by experienced USGS position classification specialists and that all changes were completed before the competitive levels determination process began.

The official also recounted that most of the needed changes to the position descriptions involved relatively small matters, such as a change in the name of a specific research project or organizational component. She said that few of the position descriptions needed major changes, and that in few instances did necessary changes alter the classification of a position or affect its assigned grade level. The official added that no appeals challenging the classification decisions made during the review and revision process were filed by any of the division's employees.

Application of the Competitive
Level Determination Process

According to agency officials, work on establishing the competitive levels was done separately in all three regions, with personnel specialists and SMEs--generally, USGS scientists--working together to determine where each individual position

should be properly placed. The officials explained that once the personnel specialist-SME teams' work on the competitive levels was done, their determinations were reviewed by validation teams composed of USGS personnel specialists and scientists in each of the regions.

A Geologic Division scientist who served as the nationwide validation team leader discussed the validation process with us. This official told us that the validation teams focused on the contents of each individual position description in determining whether the competitive level decisions made by the personnel specialist-SME teams were correct. He said that neither the identities of the position incumbents nor their individual scientific qualifications were taken into account during the validation process.

USGS' Acting Personnel Officer also said that information relating to the position incumbents themselves was not considered during the competitive level determination and validation processes. This official told us that the construction of the retention registers--which identify position incumbents by name and other information--was done apart from the competitive levels determination and validation work. She explained that the competitive level and retention register work had been done by different teams of personnel specialists from different parts of the Personnel Office. She also noted that work on the retention registers did not begin until after the competitive level work had been completed.

The scientist who headed the nationwide validation team told us that the Eastern Region's validation team members affirmed the original competitive level determinations made in that region in about 95 percent of the cases reviewed. This official explained that while the decisions on many of the positions reviewed were clear-cut, other, less clear situations required "judgment calls." He added that honest differences of opinion among the participating branch chiefs accounted for the disagreements affecting the remaining 5 percent of the cases. He told us that in each instance where there had been disagreement with the original determination, the case was returned to the applicable personnel specialist-SME team for further deliberations and resolution. He said that, ultimately, all of these disagreements were resolved.

The official told us that he and a Personnel official also reviewed the work done by the validation team members in the division's two other regions and in all of the occupational categories. He said that the few discrepancies identified were resolved before the competitive level lists were finalized. He

also noted that while each of the regions had done its competitive level determination and validation work independently of the others, all reached essentially the same conclusions about the unique attributes of most of their scientific positions. As shown in table 1, the competitive levels data provided by USGS Personnel officials support this official's assessment.

Single Position
Competitive Levels

OPM's RIF regulations do not prohibit the establishment of single-position competitive levels by agencies so long as the requisite criteria prescribed in the regulations at 5 C.F.R. section 351.403 for establishing competitive levels have been satisfied. Additionally, MSPB has sanctioned agencies' establishment of single-position competitive levels where the prescribed duties of the positions warranted that action.⁷ Accordingly, an agency's establishment of single-position competitive levels is not, in itself, improper.

USGS officials said that they met all applicable OPM requirements, including the requirements applicable to competitive level determinations, in preparing for the October 1995 Geologic Division RIF. As agreed with the Subcommittee, we did not independently review and assess the competitive level determinations made by USGS for individual positions.

THE OPM REORGANIZATION
AND RIF

OPM officials we interviewed in October 1995 told us that OPM conducted a RIF, effective September 29, 1995, directly affecting a total of 115 employees in its headquarters offices.⁸ The officials explained that this RIF had been necessitated both by (1) an anticipated significant drop in revenues received by OPM's

⁷See Gurkin v. Department of the Air Force, 40 M.S.P.R. 95, March 15, 1989, and O'Connell v. Department of Health and Human Services, 21 M.S.P.R. 257, June 11, 1984, in which MSPB essentially held that an agency could establish single-position competitive levels but that the propriety of it doing so depended upon the particular facts of the situation.

⁸The RIF also directly affected a total of 128 OPM employees in its 5 regional offices and at 2 other locations outside the Washington, D.C., metropolitan area.

revolving fund⁹ and (2) an anticipated reduction in agency appropriations. They also said that the RIF was unrelated to a reorganization of OPM's Administration Group that had occurred earlier in the year.

Data provided by these officials showed that the September 1995 RIF resulted in the separation from employment of 62 OPM headquarters employees. Additionally, the data showed that a total of 25 headquarters employees were reduced in grade and 28 employees were reassigned to other headquarters positions.

The officials also provided data on the impact of the RIF on employees who had been working within the former Administration Group components when OPM's February 1995 reorganization occurred and who were affected by the September 1995 RIF. The data showed that among this group of employees, 45 were separated, 17 were reduced in grade, and 21 were reassigned.¹⁰

The Administration Group Reorganization

OPM officials told us that the February 1995 reorganization that redistributed the Administration Group's functions resulted from the recommendations of an agency Redesign Task Force. They said that the task force, established in April 1994 by OPM Director James King, had been assigned to review the mission, organizational structure, and overall direction of the agency.

The officials explained that, as a part of its work, the task force sought to identify ways to provide greater focus and accountability for the programs managed by the Administration Group. An August 1994 OPM organization chart showed that when the task force was doing its work, the Administration Group was responsible for performing agency support functions such as procurement, facilities management, financial management, library operations, information resources management, equal employment

⁹Federal law (5 U.S.C. §1304(e)) authorizes OPM to operate an ongoing revolving fund to finance its work as a provider of investigations, training, and certain other services, for which OPM receives reimbursements from the user-agencies. Reimbursements are, in turn, deposited into the fund.

¹⁰An OPM official noted that the agency abolished almost 300 positions in its headquarters and field offices. However, because some of these positions were vacant when the abolishments occurred, fewer employees were adversely affected by the RIF.

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opportunity counseling and complaint services, and agency personnel operations.

The officials recounted that the task force completed its work and presented its reorganization proposal in September 1994. The proposal called for dispersing all of the Administration Group's component organizations by

- transferring its Financial Operations Division (FOD) to the Office of the Chief Financial Officer;
- transferring its Retirement Systems and Operations Division (RSOD) to the Retirement and Insurance Service; and
- reestablishing the few relatively small components remaining as three new offices reporting to OPM's director--(1) Contracting and Administrative Services (OCAS), (2) Information Technology (OIT), and (3) Human Resources and Equal Employment Opportunity (OHREEO).

The officials noted that the decision was made to reestablish OCAS, OIT, and OHREEO as three separate organizational components because, with the transfers of FOD and RSOD out of the Administration Group, relatively little remained of a core administrative support organization.

The officials said that the task force's reorganization proposal was ultimately approved by OPM's director in January 1995 and became effective in February 1995.

Fiscal Pressures Led to the Decision to RIF

Agency officials told us that in December 1994, while the Redesign Task Force's Administration Group reorganization proposal was under consideration, the President decided that OPM should privatize its training and investigations functions. The officials explained that once this privatization decision had been made, other decisions had to be made about the fiscal implications of the privatization decision on other OPM operations.

According to these officials, the training and investigations functions contributed to and operated through an OPM-managed revolving fund. They said that a significant portion of the costs of operating numerous other agency administrative and executive operations within OPM were also met from this revolving fund. The officials said that these funded operations included human resources and EEO, contracts and administrative services,

information resources management, information technology, financial management, legal services, and the functions of several staff offices.

The officials noted that with the imminent privatization of investigations and training and the resulting loss of their revenues to the revolving fund, money that had been earmarked from the fund for administrative and executive operations would no longer be available. They estimated that this loss amounted to approximately \$13.4 million out of the \$45.2 million proposed for these operations in fiscal year 1996.

An OPM official advised us during a mid-December 1995 meeting that, among other things, the privatization of the investigations function awaited approval of a proposed Employee Stock Ownership Plan (ESOP) involving a sole-source contract. The official explained that under the proposed plan, current OPM investigations employees would become ESOP participants once privatization occurred. Subsequently, in late February 1996, another OPM official advised us that OPM anticipated that privatization would be completed by June 1996.

In the course of discussing the fiscal implications of the privatization decision, the officials noted that OPM also concurrently faced a significant reduction in its appropriations. The officials said that in July 1995, OPM anticipated that the amount of appropriations that it would receive would be about \$23 million less than the \$108.6 million requested for fiscal year 1996. The officials indicated that this anticipated funding reduction placed yet further pressure on OPM management to make staff reductions.

The officials said that during the summer of 1995, after considering the options available, agency management concluded that a RIF would be necessary to meet the funding shortfall. The RIF subsequently occurred in September 1995 in certain offices, formerly parts of the Administration Group, that handled OPM's internal administrative operations as well as in certain offices that handled OPM's executive operations.

RIF Preparations

According to information and documents provided by agency officials, OPM issued specific RIF notices to headquarters employees in the affected offices on July 28, 1995. These notices formally apprised the recipients that the RIF was to be effective on September 29, 1995.

An OPM official explained that the September 1995 RIF had been the seventh to take place in OPM in recent years and that administrative preparations for it had been made in the same manner as for previous RIFs. The official said that OPM's preparatory work included ensuring that the position descriptions and employee workforce information that would be relied upon to establish the competitive levels and retention registers were accurate and complete. The official noted that because a RIF had taken place in the same organizations only the year before, in 1994, most of the work needed to prepare for the September 1995 RIF only involved updating records.

Impact of the February 1995
Reorganization on Competitive
Area Determinations

An OPM official said that following the February 1995 reorganization, OPM's competitive areas were reconfigured to take into account the organizational changes that had been made. The official explained that prior to the reorganization, all of the Administration Group's component organizations had been together in a single competitive area. The official added that following the reorganization, the former Administration Group's component organizations were dispersed among five different competitive areas.

According to this official, the former Financial Operations Division became part of the competitive area comprising the Office of the Chief Financial Officer, and the former Retirement Systems and Operations Division became part of the competitive area comprising the Retirement and Insurance Service. The official also said that each of the three newly established offices--(1) Contracting and Administrative Services, (2) Information Technology, and (3) Human Resources and EEO--became a separate competitive area.

The official explained that the newly configured competitive areas were established on the basis of geographic location and organization, adding that these were the same criteria that had been used by OPM management in the past in making competitive area determinations. The official said that in March 1995, after OPM's director approved the delegations of authority for the restructured organizations, these delegations served as the blueprint for reconfiguring the different competitive areas. The official also observed that OPM's redetermination of its competitive areas following the February 1995 reorganization was done as a matter of routine administrative procedure and not in preparation for an upcoming RIF. As noted earlier, agency officials told us that OPM management did not decide until the

summer of 1995, some months after the reorganization took place, that a RIF would actually be necessary later in the year.

The Relationship Between the
Reorganization and the RIF

We have noted some degree of overlap in the timing of the events discussed above that occurred in late 1994 and early 1995 leading to the Administration Group reorganization and the RIF, respectively. However, on the basis of the information provided by OPM officials, the reorganization and the RIF appear to owe their timing and impetus to separate sets of events.

According to these officials, the reorganization was prompted by the OPM director's interest in restructuring the organization along functional program lines to increase its focus and accountability. By contrast, the officials told us that the RIF was necessitated by the need to reduce operating costs to offset the anticipated loss of funds resulting from the privatization of the training and investigations functions and an anticipated reduction in agency appropriations.

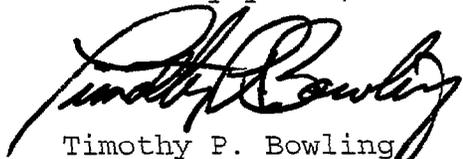
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As agreed with the Subcommittee, unless you publicly release its contents earlier, we plan no further distribution of this letter until 30 days after its issue date. At that time, we will send copies to the Chairman, House Committee on Government Reform and Oversight; the Chairman, Senate Governmental Affairs Committee; the Secretary of the Interior; the Director, OPM; the Director, OMB, and the Chief Geologist, USGS. Copies will also be made available to others who may have an interest in these matters.

Major contributors to this letter were Norman Stubenhofer, Philip Kagan, Jan Bogus, and Michael O'Donnell.

I hope that the above information is helpful to you. Please call me on (202) 512-7680 if you have any questions.

Sincerely yours,



Timothy P. Bowling
Associate Director
Federal Management
and Workforce Issues

(410003)

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